Table 2: Subsidy Definitions Vary by Country, Lead to Gaps in Reporting and Reform Commitments

(Extracted from Doug Koplow, *Phasing Out Fossil-Fuel Subsidies in the G20: A Progress Update*, Oil Change International and Earth Track, June 2012).

Country Definition of Subsidies Subject to Phase Out *(Emphasis Added)*	Potential Gaps
European Union "For the purposes of the exercise launched by the G20 Pittsburgh summit, the EU and its Member States have chosen to take as a working definition of fossil fuel subsidies the following, *based on* the approach of the International Energy Agency: 'A fossil-fuel subsidy is *any government measure or program* with the *objective or direct consequence* of reducing below world-market prices, including all costs of transport, refining and distribution, the effective cost of fossil fuels paid by final consumers, or of reducing the costs or increasing the revenues of fossil-fuel producing companies'".	• Definition is actually fairly broad, in theory capturing any type of government program, regardless of intent, that either modifies energy prices or changes revenues or costs for producers. In practice, though, most of the countries have picked up only taxes and a few direct expenditures. • As noted below with Italy, the definition seems to focus on national average levels, missing sector-specific tax breaks (e.g., reduced taxation of fuels used by fishing fleets). • Risk transfers may also not be well captured by this definition, particularly if the connection to costs or revenues is not immediate, but through changes in the *expected* returns (lower volatility returns) in a particular sector.
Australia "Australia does not have measures related to the production of fossil fuels that fall within the scope of the G20 commitments." "Australian Government budgetary support for fossil fuel production is limited to measures that are *intended* to support production of *clean energy*." "Australia does not have any sector-specific tax expenditures for fossil fuel production (although fossil fuel producers are able to access general measures that apply across the economy *or across the mining and quarrying sectors as a whole*)."	• Subsidies to less polluting forms of fossil-fuels (e.g., clean coal or pollution controls) even though they may still be "dirtier" than renewable alternatives. • Policies that have the effect, though not the intent, of subsidizing fossil-fuels seem to be excluded. • Special tax breaks for extractive industries (e.g., percentage depletion) that are generally viewed as subsidies in most other countries in the world.
Canada "There are two broad possible approaches that Canada could take to this commitment: 1) Use the commitment as an opportunity to undertake selective rationalization of Canadian measures (which we recommend), or 2) If Canada is not prepared to undertake any substantive reforms, minimize the obligation so that Canada can still position itself as meeting the commitment " (Horgan 2010).	• This leaked memo illustrates the political aspects of subsidy definitions in how a country's response to the G20 commitment is framed. • The limited items reported illustrate the country chose the second option.
India "*It was decided that all the countries would provide their own definition of inefficient subsidies.* Accordingly, following [sic] definition of subsidies has been adopted by India: 'A fossil fuel subsidy is any Government measure or budgetary support that has a consequence of reducing the effective cost for fossil fuel paid by consumer, *(after accounting for taxes on these fuels)* or of reducing the costs or increasing the revenue of fossil fuel producing companies.'"	• Adjustments for taxes may mask important user subsidies to fuel sector (e.g., roads or other transport infrastructure, tank cleanups). • India's own 2010 progress report submission illustrates what they believe is excluded from reform: "It may be mentioned that this list does not include the indirect subsidy provided for energy services like tax benefits on profits derived from commercial production and refining of mineral oils and natural gas; investment linked incentives for expenses on new pipelines; sales tax concessions by State/local government etc."
Indonesia "According to the Indonesian Budget Law, fuel subsidy defined [sic] as a budgetary allocation given to a company or institution that produces and/or sells the oil fuel and Liquefied Petroleum Gas (LPG), with the purpose of providing access to energy at an affordable price for consumers."	• Non-budgetary transfer approaches (e.g., tax, credit, insurance subsidies). • Programs that subsidize costs for reasons other than providing energy access at an "affordable price".

Country Definition of Subsidies Subject to Phase Out *(Emphasis Added)*	**Potential Gaps**
Italy "Italy considers favorably the International Energy Agency's (IEA) definition of fossil fuel subsidies as: 'any government measure or program with the objective or direct consequence of reducing below world-market prices, including all costs of transport, refining and distribution, the effective cost for fossil fuels paid by final consumers, or of reducing the costs or increasing the revenues of fossil-fuel producing companies.' "However, and according to this definition, *Italy as much as most other EU member states does not have subsidies that lower the price of fossil fuels below international market price levels.* Furthermore, State aid within the EU is clearly limited by the Treaty on the Functioning of the European Union (TFEU), which forbids any public support not compatible with the TFEU."	• Although Italy generally adopted the same subsidy definition as other EU members, the country added the clarification on taxes that other members seemed also to have applied, though did not state. • As a result, any situation where specific sectors are receiving higher subsidies (or tax reductions) than others may be missed. Even if overall tax rate results in prices above EU minimums, there can be inter-sectoral distortions and these can cause important environmental problems.
South Korea "Korea defines fossil fuel subsidy as a government measure with the objective or direct consequence of *reducing below production costs — for net importers, world price instead or production cost — the effective cost* for fossil fuels paid by end consumers, or reducing the costs or increasing the revenues of fossil fuel producing companies."	• South Korea has adopted the OPEC viewpoint that selling above production costs but below world prices is not a subsidy. The opportunity cost of these programs can be large, and the allocation of windfalls via political means often results in corruption, black markets, and shortages.
Mexico "While current policies in Mexico are consistent with the goals of the G20 commitment, we believe that in order to make a stronger commitment regarding the phase out of our fossil-fuel subsidies, *it would be necessary for all countries to agree on a uniform methodology for calculating subsidies.* Using such a common methodology, peer monitoring would be an effective tool to gauge progress across countries in removing fossil fuel subsidies in an objective and clear manner."	• No specific definition of what counts as a subsidy to Mexico; only a recognition that absent a formal process for establishing a common standard there are likely to be problems.
Russia No clear definition of subsidies has been put forth by Russia, though there is recognition that reform of consumer prices for energy would be included.	• While the provision of a working definition does not ensure all important subsidies will be captured, the absence of a working definition means exclusions are even more likely.
Saudi Arabia "Saudi Arabia has considered a definition of inefficient subsidies on the basis that *there is no cost to the Government that outweighs the social and economic benefits of the pricing mechanism, leading to wasteful rather than natural growth in consumption, and that these benefits, including in the form of economic diversification, cannot be provided by equally effective ways or by the use of available alternative sources of energy.* "Based on these criteria, the Government would like to articulate that while domestic fossil fuel prices in Saudi Arabia could be below international prices, these prices reflect the country's comparative advantage in oil production and are above the production costs. Indeed, the Government is not paying any fossil fuels-related subsidy from the treasury. Therefore, Saudi Arabia is not implementing any measures that fit the criteria for inefficient fossil fuel subsidies. The G20 proposal for phasing out inefficient fossil fuel subsidies does not therefore apply to Saudi Arabia."	• Large opportunity cost of selling fuel domestically at an artificially low price is not being recognized. NGO assessments of Saudi Arabia have indicated that the underpricing has resulted in a wide array of problems regarding over-consumption, inefficiency, and poor investment decisions. • There seems to be little data on producer subsidies within the Kingdom, such as via credit support, subsidized insurance, or post-operational cleanup and closure of drilling sites.

Country Definition of Subsidies Subject to Phase Out *(Emphasis Added)*	**Potential Gaps**
Turkey "The appropriate definition for 'Inefficient Fossil Fuel Subsidy' is stated below: 'A fossil-fuel subsidy is any government measure or program with *the objective of reducing, below production cost,* the effective cost for fossil fuels paid by consumers or of reducing the costs or increasing the revenues of fossil-fuel producing companies through measures *other than efficiency improvement measures and/or measures for the penetration of new technologies (e.g., clean coal technologies).*'"	• Any subsidy to a "new technology" would not meet the definition of an inefficient subsidy according to Turkey. • Consumer subsidies exempted as well so long as prices remain above production cost. • Unlike the standard IEA definition, Turkey has excluded government measures that have the "direct consequence" of distorting markets, even if that end was not an intent of the policy.
United States "There are a number of tax preferences, described below, available in the United States to producers of fossil fuels. The preferences below are all permanent provisions in the tax code."	• Subsidy mechanisms other than tax breaks. • Subsidy quantification based on single source (Treasury), though estimates from other parts of government often disagree.

Sources: Earth Track Analysis of G20 (2010) and G20 (2011); Horgan 2010.